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James River

Budget and Technical Update

James River Partnership Meeting

April 26, 2006

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Budget Formulation

FORMER APPROACH:

- By account (Studies, Design/Construction/O&M, etc.)
- Geographic balance considered

BUDGETING BY PERFORMANCE:

- By business program
- Highest priority work funded
- Lower priority work not funded

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Review Budget Development Concepts_

OLD

Accounts

Account Managers

Regional "Pots"

Account "Pots"

NEW

Business Lines

Business Managers

Performance Measures

Prioritization

Nothing Sacred ?

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Performance-Based Budgeting Approach

Set budgets by business program based on performance

Use performance measures to:

- Rank competing projects in each business program
- Start with a “minimum” program for each business program
- Add well-justified increments up to “ceiling” (funded program)
- Develop “recommended” program with increments above ceiling

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Business Program Structure (and FY07 Budget Amou

Commercial Navigation ($1,926,000,000)
Flood and Storm Damage Reduction **($1,291,000,000)**
Environment
Aquatic Ecosystem Restoration ($320,000,000)
Stewardship ($89,000,000)
Formerly Utilized Sites Remedial Action Program ($130,000,000)
Hydropower ($285,000,000)
Recreation ($267,000,000)
Water Supply ($2,000,000)
Emergency Management ($86,000,000)
Regulatory Program ($173,000,000)
Executive Direction and Management ($164,000,000)

Civil Works Total = $4,733,000,000

FY 2007 Budget Business Line/Account Cross-Walk ($Millions)												
	Commercial Navigation	Flood & Storm Damage Reduction	Recreation	Aquatic Ecosystem Restoration	Environmental Stweardship	FUSRAP	Hydropower	Water Supply	Emergency Management	Regulatory Program	Executive Direction & Management	Total
Investigations	23	34		37								94
Construction	596	653		278			28					1,555
O&M	1,270	387	253		84		257	2	5			2,258
MR&T, Investigations		1										1
MR&T, Construction	14	111		5								130
MR&T, O&M	23	105	14		5							147
FUSRAP						130						130
FC&CE									81			81
Regulatory										173		173
Expenses											164	164
Total	1,926	1,291	267	320	89	130	285	2	86	173	164	4,733
MR&T = Mississippi River and Tributaries												
FUSRAP = Formerly Utilized Sites Remedial Action Program												
FC&CE = Flood Control and Coastal Emergencies												

O&M for Navigation = $1.27 Billion

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Corps Navigation Mission

Provide safe,reliable,efficient,effective and environmentally sustainable waterborne transportation systems for movement of commerce, national security needs, and recreation.

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Observations – Where do O&M Navigation Dollars Go?

- Literally hundreds of projects nationwide
- Eight states receive half of the O&M Navigation budget (Louisiana, Illinois, Iowa, Texas, Alabama, Minnesota, Kentucky and California.)
- 15 states receive ¾ of the O&M Navigation budget.
- Virginia is in with the majority of the states receiving part of the remaining ¼ of the O&M Navigation budget.

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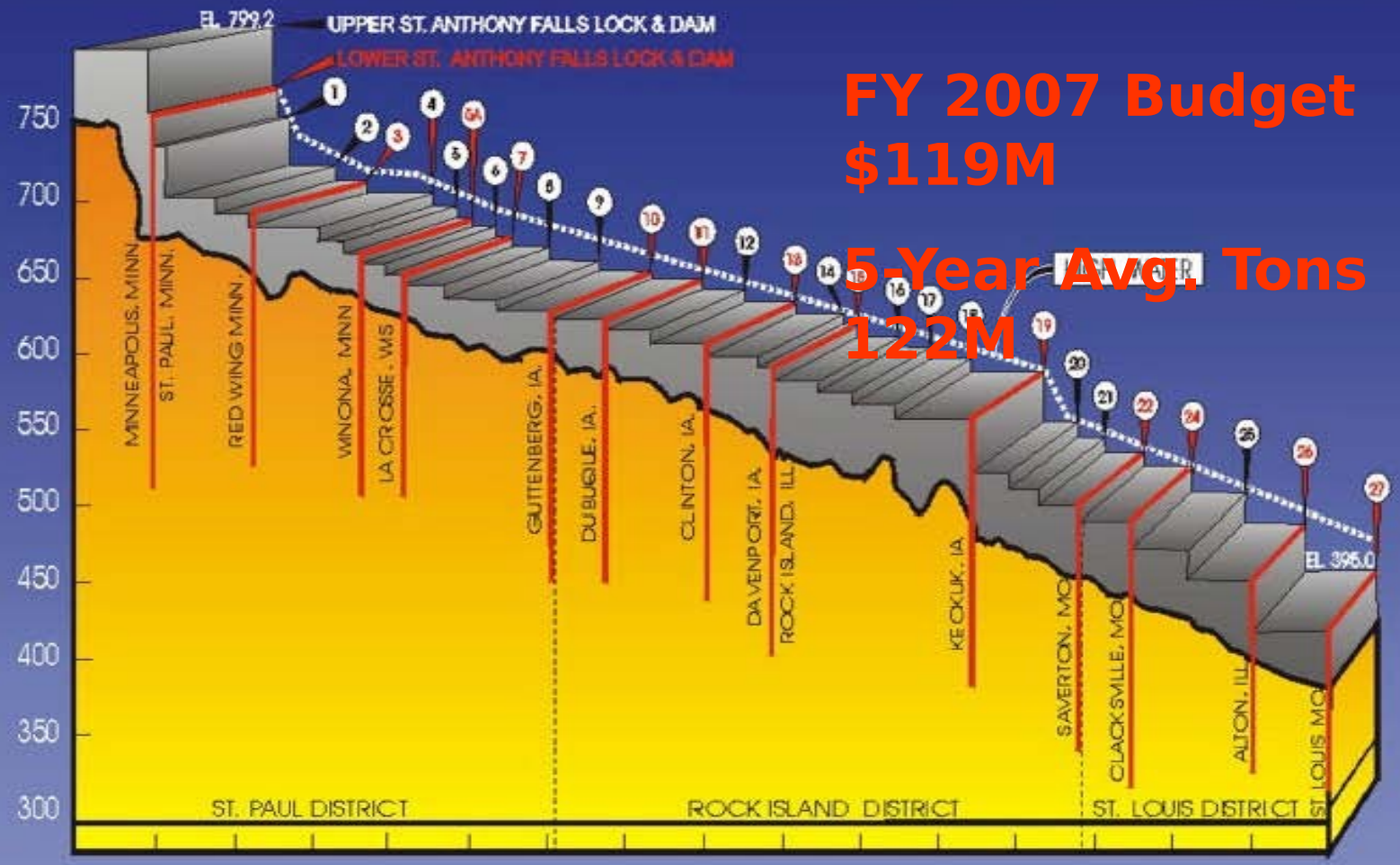
St. Paul District

STAIRWAY OF WATER
Minneapolis to St. Louis



FY 2007 Budget
$119M

5 Year Avg. Tons
122M

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High-Use and Low-Use

- **HIGH USE**
  - Inland Waterways
  - Deep Draft (includes James River 25-Ft. Channel)
  - High use Shallow Draft

- **LOW USE**
  - Low use Deep Draft
  - Low use Shallow Draft
  - Low use Waterways

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High-Use and Low-Use Criteria

- **HIGH USE**
  - Greater than One Billion Ton-Miles
    or
  - Greater than One Million Tons

- **LOW USE**
  - Less than One Billion Ton-Miles
    or
  - Less than One Million Tons

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O&M Navigation Objectives and Performance Measures

Objective: Operate and manage the navigation infrastructure so as to maintain justified levels of service in terms of the availability to commercial traffic of high-use navigation infrastructure (waterways, harbors, channels).

Measure: % of time navigation infrastructure with high levels of commercial traffic sustains its functional purpose.

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FY 07 Performance Metrics

- BCR - the benefit cost ratio for project (not used for ranking O&M projects)
- Commercial Tonnage
- Commercial Ton-Miles
- Other project purpose - other purposes (outputs) associated with this project

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FY 07 Performance Metrics

- Pub Health/Safety - critical hazardous situation, imminent failure resulting in severe consequences to public
- Consequences - what is impact if not funded
- Remarks - additional information to support budget request that is not in the other fields

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FY 07 Ranking Criteria

O&M – items ranked high

- “Bare Bones" O&M of high use
- Critical minimal level of dredging
- On-going Major Maintenance
- Subsistence Harbors
- Critical Harbors of Refuge
- Project Condition Surveys
- Safety issues

Norfolk District FY 2007 Budget Business Line/Account Cross-Walk ($Thousands)						
	Commercial Navigation	Flood & Storm Damage reduction	Aquatic Ecosystem Restoration	Emergency Management	Regulatory Program	Total
Investigations			450			450
Construction						
O&M	18,571	2,747				21,318
MR&T, Investigations						
MR&T, Construction						
MR&T, O&M						
FUSRAP						
FC&CE				298		298
Regulatory					5,870	5,870
Expenses						
Total	18,571	2,747	450	298	5,870	27,936
FUSRAP = Formerly Utilized Sites Remedial Action Program						
FC&CE = Flood Control and Coastal Emergencies						

O&M for Navigation - $18.6 Million

Norfolk Harbor - $ 9.8 Million

James River - $ 3.0 Million

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FY 07 James River Metrics

Metrics Used: Commercial Tonnage, Consequences

Consequences

- **Shoals will form and force vessel draft restrictions**
- **Increased transportation costs**
- **Estimated lost Port revenues**

Commercial tonnages on the James River have averaged 5.2 million tons for the last 5 years of record.

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FY 07 James River

President's Budget

- Received "bare bones" amount for Maintenance
- Received amount for Project Condition Surveys
- Total $3,043,000

Capability Amount

- Additional capability $1,428,000
- Total capability $4,471,000

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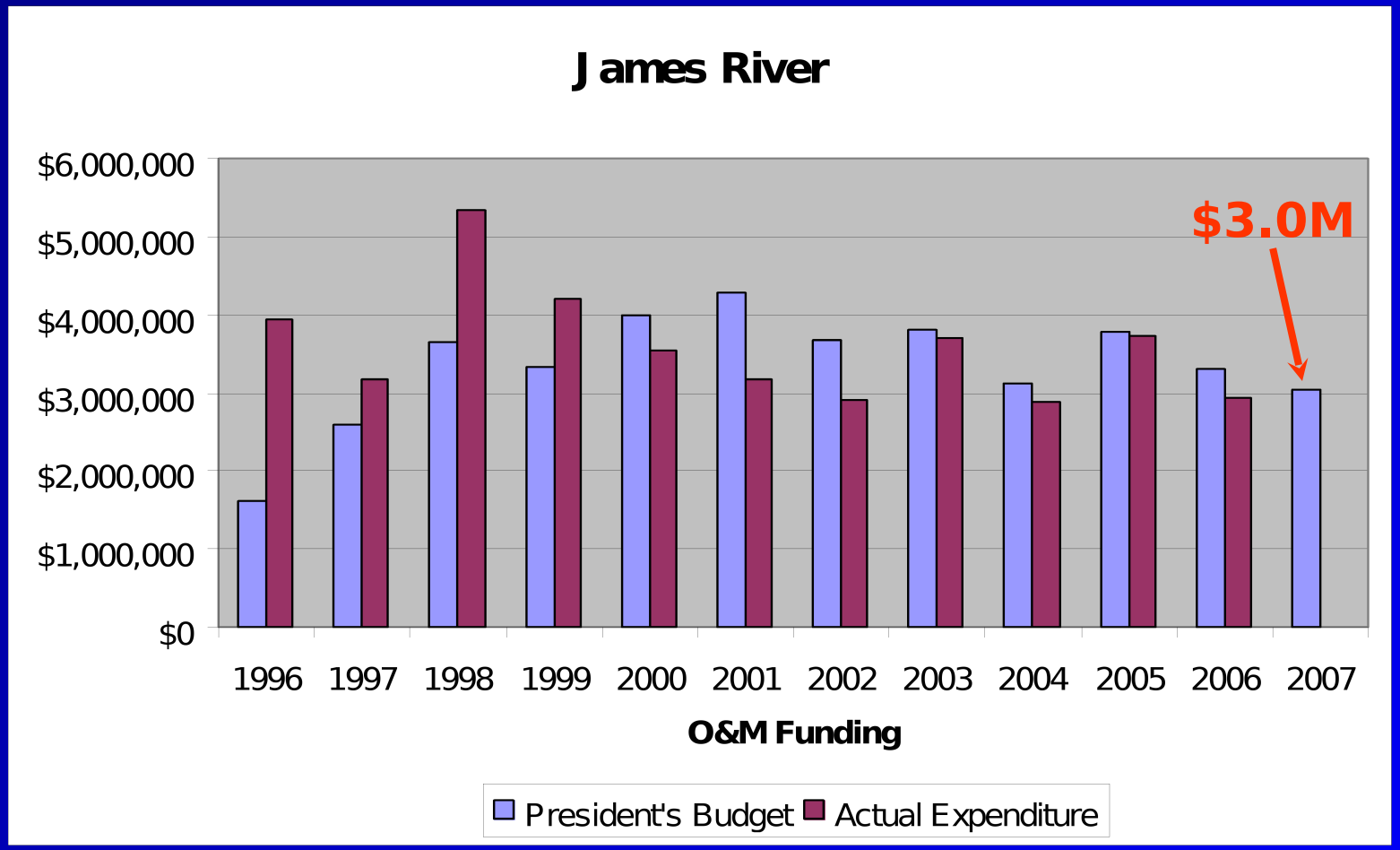
James River Funding Trend



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Comparison with Similar Ports

Port	Depth	FY07 Budget	5-Yr Tons	5-Yr $ per Ton
James River, VA	25	$3.0M	5.2M	$0.632
Cleveland, OH	29	$2.7M	13.0M	$0.354
San Joaquin /Stockton, CA	35	$3.1M	4.3M	$0.427
Palm Beach, FL	34	$2.4M	3.9M	$0.787
Wilmington, DE	40	$3.9M	5.4M	$0.823
Brunswick, GA	30	$2.5M	2.4M	$1.266

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Comparison with Similar Ports

Port	Depth	FY07 Budget	5-Yr Tons	5-Yr $ per Ton
James River, VA	25	$3.0M	5.2M	$0.632
Canaveral, FL	37	$4.6M	4.5M	$1.487
Morehead City, NC	45	$5.2M	3.0M	$1.567
Georgetown, SC	27	$3.6M	1.5M	$1.941
Coos Bay, OR	37	$4.2M	1.9M	$2.090
Fernandina / Kings Bay, FL	32	$1.6M	0.6M	$3.530
Grays	41	$6.7M	1.6M	$6.849

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Comparison with Other Projects

Port	Depth	FY07 Budget	5-Yr Tons	5-Yr $ per Ton
James River, VA	25	$3.0M	5.2M	$0.632
C&D Canal, DE	35	$12.0M	15.2M	$0.946
Cape Cod Canal, MA	32	$8.3M	8.3M	$0.954

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Performance Summary James River

James River 25-Ft. Channel is "High Use" Commercial Navigation

- Good Metrics for first "bare bones" increment
- Additional support needed for next funding increment
- Consequences of not dredging – must be very specific
- New emphasis of FY 2008 - Risk and Reliability, Export Value.

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James River Engineering and Technical Work

- Needed to maintain the navigation infrastructure on the James River
- Supports dredging and dredged material placement operations
  - Plans for Dredging
  - Water Quality Compliance and Monitoring
  - Surveys and Obstruction Removal
  - Temporary and Permanent Re-Alignments
  - Dredged Material Volume & Capacity

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Questions?

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James River 18-ft. Channel Metrics

Commercial Navigation – 18 Ft. Channel

- 3 facilities w/ 4 operators shipping gasoline, diesel, fuel oil and asphalt.
- Vessel drafts 8 to 18 feet, most are less than 15 feet.
- Approx. 10 to 14 trips per month in the 18-Ft. channel.
- Safety Issue – recent grounding at turning basin.

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Performance Summary James River

- James River 18-Ft. Channel is borderline “High Use/Low Use” and Deep Draft/Shallow Draft
  - Additional support needed for funding the maintenance of this channel segment.
  - Need more information on:
    - Trips and drafts of vessels.
    - Tonnages.
    - Safety issues.
    - Consequences of not dredging.